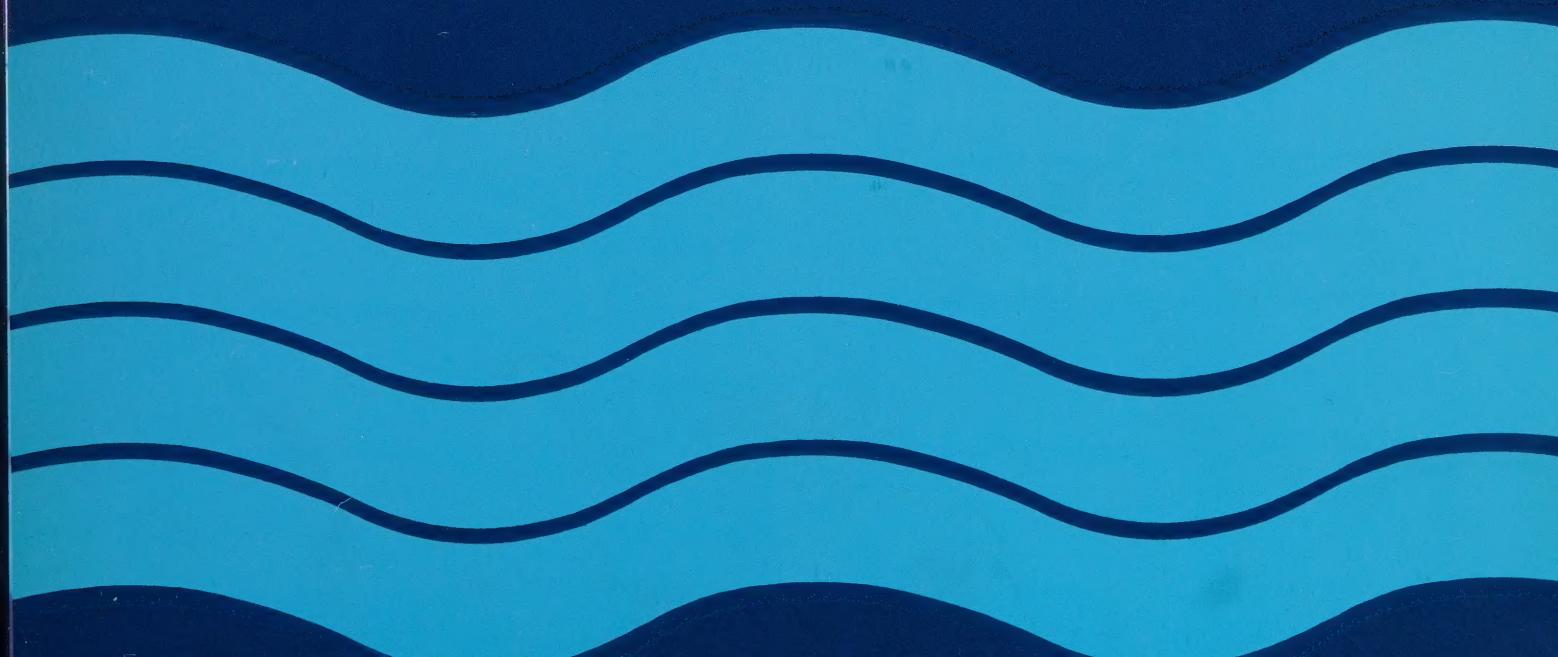




AR19

Annual Report for the year ended September 30, 1972



W/holdy owned subsidiaries

&C Yachts Manufacturing Ltd.

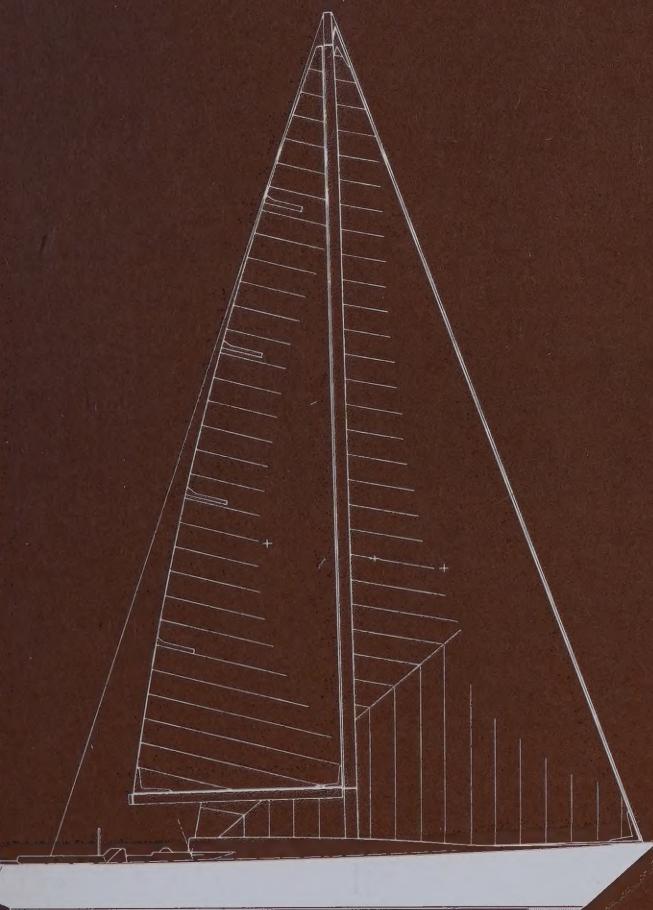
&C Yacht Sales Ontario Ltd.

AR19

C&C
YACHTS[®]

CO. corp

Financial Report for the
six months ended 31 March, 1972



1st quarter

2nd quarter

C & C designed and built twin sloops, Merrythought and
Mirage — one will defend Canada's Cup for the R.C.Y.C.

Consolidated statement of earnings (unaudited)

	1972 \$	1971 \$
Sales	2,047,833	1,500,039
Cost of Sales	1,506,053	1,129,518
Gross Profit	541,780	370,521
Expenses — Selling	129,062	117,430
Administrative	279,638	265,036
	408,700	382,466
Earnings (Loss) before income taxes	133,080	(11,945)
Provision for (Recovery of) income taxes	63,613	(6,380)
	69,467	(5,565)
Net Earnings (Loss) for the period	7¢	(1¢) X
Net Earnings (Loss) per share		

Consolidated statement of source and use of working capital (unaudited)

Source of working capital	1972 \$	1971 \$
Net Earnings (Loss) for the period	69,446	(5,565)
Items not affecting working capital —		
Depreciation	107,419	81,559
Deferred income taxes	(18,550)	—
Provided from operations	158,315	75,994
Bank loan	140,000	—
	298,315	75,994
Use of working capital		
Fixed assets	284,991	200,941
7½% mortgage instalments	1,248	1,248
	286,239	202,189
Increase (Decrease) in Working Capital	12,076	(126,195)

To the Shareholders

Sales for this period improved to \$2,047,833 from \$1,500,039 a year ago, or approximately 37%. Production has been at higher levels than shipping which has caused an increase in both raw and finished goods inventories, but these are expected to decrease substantially in the third quarter.

Improvements are noted in both gross and net margins and net profit after tax has increased to 7¢ per share; a good working capital position is enjoyed.

The volatile exchange rates are a continuing problem but have been hedged for most of this year's operations. Unfilled orders indicate sales will exceed \$6,000,000 and when coupled with improved margins should show much better earnings.

Ian F. Morch, P.Eng.,
President,
Port Credit, Ontario.

C&C Yachts Limited
10 Front Street South Port Credit Ontario

WHOLLY OWNED SUBSIDIARIES

C&C Yachts Manufacturing Limited
C&C Yacht Sales Ontario Limited

DIRECTORS & OFFICERS

Taylor, Alan F B.	Chairman of the Board and Director
Hinterhoeller, George A.	President and Director
Bruckmann, Erich K L.	Vice-President and Director
Cuthbertson, George H.	Vice-President and Director
Lewis, Clifford W.	Director
Morch, Ian F.	Director
Sale, Robert R.	Director
Brinsmead, Gordon W.	Vice-President
Edwards, Moray C.	Vice-President
Gray, John S.	Secretary-Treasurer

AUDITORS

Messrs. McDonald, Currie & Co.,
Chartered Accountants 120 Adelaide St. W., Toronto, Ontario

LEGAL COUNSEL

Messrs. Miller, Thomson, Sedgewick, Lewis & Healy
7 King St. E., Toronto, Ontario

TRANSFER AGENT & REGISTRAR

Royal Trust Company, Toronto & Montreal



C & C 39, 'CANUSA'

Report of the president to the shareholders

The consolidated financial statements of C & C Yachts Limited and its subsidiary companies for the year ended September 30, 1972 and the report of the auditors are submitted.

I would like to make the following comments on the operations of the companies and the financial report.

Financial

Sales showed an increase of 34% over the preceding year while selling and administration costs rose 6%. The net earnings increased 114% to \$411,997, or 43 cents per share. The cash flow from operations increased from 37 cents per share in fiscal year 1971 to 60 cents per share in 1972.

Inventories at September 30, 1972 were at \$1,389,831 compared with \$928,148 the previous year. The difference reflects the increase in sales and the volume of boats being built at this date. Similarly, the increase in deposits from customers from \$98,731 the previous year to \$254,702 represents an increase in customers orders on hand, particularly in custom boats.

Corporate Reorganization

On December 31, 1971, the three companies, Hinterhoeller Ltd., Bruckmann Mfg. Ltd. and Cuthbertson & Cassian Ltd. were amalgamated to form C & C Yachts Manufacturing Ltd. Belleville Marine Yards Limited changed its name to C & C Yacht Sales Ontario Ltd. and purchased on the same date the retail dealership from its parent, C & C Yachts Ltd. Boat building operations in Belleville were discontinued during the fall of 1971. C & C Yachts Limited now functions only as a holding company.

Production Boat Facilities

The plant expansion of 40,000 square feet at Niagara-on-the-Lake was completed early in 1972 and a further expansion is now under way to add some 10,000 square feet to the production lines.

The production boats built at Niagara continue to be well received by the boating consumer both from the standpoint of quality and cruising and racing success. Our designs and building techniques are under review to ensure that we will continue to build boats utilizing the most modern and economical construction methods.

Custom Boats

The Custom Boat Division continues to produce boats of excellent quality that are competing successfully in the major North American regattas. A number of 43, 50 and 61 footers have been built and tooling is underway for a new 48 footer. In conjunction with the design office, plans are being developed for more "one of a kind" boats for the coming year.

Design Office

During the year the C & C Yachts Design Group was involved in the design and development of the Canada's Cup Boats. In addition a redesigned model of the C & C 43 was produced and is being well received. Two new versions of the C & C 61 were developed and built, both of which contributed greatly to our increased sales.

Marketing & Sales

The sale of production boats is directed from the Niagara-on-the-Lake office through our dealer network in Canada and the U.S.A. This dealer network has been consolidated and improved and a new dealer financial plan developed for U.S. dealers. This marketing plan has proved to be successful. Through this system we are currently marketing the C & C 25, 27, 30, 35 and 39.

The Custom Boat sales are handled directly from the design office at Port Credit. This system has worked well and the state of the order book for custom boats is excellent. We anticipate a most successful year.

Future Developments

A manager for our European operations has recently been appointed. At present, two firms in Europe are producing C & C boats under franchise and we are currently studying the possibility of appointing more boat builders on the Continent. We feel that there is a great sales potential for certain of our designs in Europe and we will be taking steps to expand in this market.

Inasmuch as a large percentage of our shipments are into the U.S. we are cognisant of the fact that exchange rates and tariff barriers may affect our sales into this area. It is our conviction, however, that our sales will not be adversely affected by any action of the U.S. Government in the coming year and with the buoyant U.S. economy the level of our sales will remain very high.

I would like to express my appreciation to the shareholders for their continued support and interest and to the employees for their help and enthusiasm in making our product so successful.

C & C Yachts Limited and subsidiary companies

Consolidated balance sheet as at September 30, 1972

ASSETS

	1972	1971
CURRENT ASSETS		
Cash and short-term deposits	\$ 287,831	\$ 49,049
Accounts receivable (note 4)	397,407	590,734
Inventories—at the lower of cost or net realizable value (note 2)	1,389,831	928,148
Prepaid expenses	21,913	23,869
	2,096,982	1,591,800
INVESTMENT—at cost (quoted value \$18,375; 1971—\$8,300)	100	100
FIXED ASSETS (note 3)	1,393,305	1,194,767
EXCESS OF COST OF SHARES IN SUBSIDIARY COMPANIES OVER NET BOOK VALUE AT DATE OF ACQUISITION	2,492,992	2,492,992
	5,983,379	5,279,659

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of C & C Yachts Limited and subsidiary companies as at September 30, 1972 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

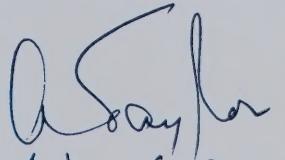
November 6, 1972

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1972 and the results of their operations and source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie, & Co. Chartered Accountants

LIABILITIES	1972	1971
CURRENT LIABILITIES		
Bank loan—current portion—secured (note 4)	\$ 100,000	\$ 50,640
Accounts payable and accrued liabilities	494,088	551,844
Deposits from customers	254,702	98,731
Income taxes	288,880	93,833
	1,137,670	795,048
LONG-TERM DEBT		
Bank loan—less current portion—secured (note 4)	325,000	335,000
7½% mortgage loan due 1979, less current instalments of \$2,496	13,312	15,808
	338,312	350,808
DEFERRED INCOME TAXES	—	38,400
	1,475,982	1,184,256
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized—2,000,000 shares without par value		
Issued and fully paid—950,000 shares	3,864,770	3,864,770
RETAINED EARNINGS	642,627	230,633
	4,507,397	4,095,403
	5,983,379	5,279,659

Signed on behalf of the Board

 Director
A. Sawyer

 Director
George A. Kirschbrenner

C&C Yachts Limited and subsidiary companies

Consolidated statement of earnings and retained earnings

For the year ended September 30, 1972

STATEMENT OF EARNINGS

	1972	1971
SALES	\$6,951,296	\$5,174,734
COST OF SALES	5,430,102	4,116,856
GROSS PROFIT	1,521,194	1,057,878
SELLING AND ADMINISTRATIVE EXPENSES	792,159	757,232
	729,035	300,646
PROVISION FOR INCOME TAXES	317,041	108,680
NET EARNINGS FOR THE YEAR	411,994	191,966
EARNINGS PER SHARE BASED ON THE SHARES OUTSTANDING AT SEPTEMBER 30, 1972	43 cents	20 cents

STATEMENT OF RETAINED EARNINGS

BALANCE—BEGINNING OF YEAR	\$ 230,633	\$ 38,667
Net earnings for the year	411,994	191,966
BALANCE—END OF YEAR	642,627	230,633

C&C Yachts Limited and subsidiary companies

Consolidated statement of source and use of working capital

For the year ended September 30, 1972

SOURCE OF WORKING CAPITAL	1972	1971
Net earnings for the year	\$ 411,994	\$ 191,966
Items not affecting working capital—		
Depreciation	198,668	182,103
Deferred income taxes	(38,400)	(18,850)
Provided from operations	572,262	355,219
Bank loan	—	335,000
	572,262	690,219
USE OF WORKING CAPITAL		
Purchase of fixed assets (net)	397,206	567,363
7½% Mortgage instalments	2,496	2,496
Bank loan	10,000	—
	409,702	569,859
INCREASE IN WORKING CAPITAL		
WORKING CAPITAL—BEGINNING OF YEAR	162,560	120,360
WORKING CAPITAL—END OF YEAR	796,752	676,392
	959,312	796,752

Notes to consolidated financial statements**1. PRINCIPLES OF CONSOLIDATION**

The financial statements include the operations of the wholly-owned subsidiary companies.

2. INVENTORIES	1972	1971
Inventories are classified as follows:		
Finished yachts	\$ 297,253	\$ 241,033
Yachts in process	340,549	147,804
Raw materials and supplies	752,029	539,311
	1,389,831	928,148

3. FIXED ASSETS AND CAPITAL COMMITMENTS

Fixed assets and related accumulated depreciation comprise the following:

			1972	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 110,756	\$ —	\$ 110,756	\$ 41,752
Buildings	1,021,284	150,228	\$871,056	519,912
Machinery and equipment	690,411	278,918	411,493	377,829
Construction in progress	—	—	—	255,274
	1,822,451	429,146	1,393,305	1,194,767

The cost to complete construction commenced in September, 1972 is estimated to be \$100,000.

4. BANK LOAN

The bank loan is secured by a general assignment of book debts and a floating charge debenture over the assets of the company and its subsidiary companies.

5. FOREIGN EXCHANGE

Assets and liabilities in United States dollars have been converted at the rate of exchange prevailing at September 30, 1972.

6. STATUTORY INFORMATION

The following amounts are included in the statement of earnings:

	1972	1971
Remuneration paid by the company and its subsidiary companies to the directors and senior officers (as defined by The Business Corporations Act, 1970)	\$ 137,703	\$ 119,542
Depreciation	198,668	182,103

'KETCH'—A cruising version of C & C 61 designed and built for a Toronto yachtsman.

